GOVERNMENT OF INDIA
DEFENCE
LOK SABHA

UNSTARRED QUESTION NO:3816
ANSWERED ON:21.04.2008
MIDDLEMEN IN DEFENCE DEALS
Ahir Shri Hansraj Gangaram;Gupta Shri Shyama Charan

Will the Minister of DEFENCE be pleased to state:

(a) the policy of the Government in regard to the role of middlemen in defence deals;

(b) the information available about the role of middlemen in various defence deals taking place presently alongwith the details of the defence deals;

(c) whether the Government proposes to evolve a National consensus to decide as to whether the middlemen should play any role in defence deals or not; and

(d) the steps proposed to be taken to remove completely any possible role of middlemen in defence deals?

Answer

MINISTER OF DEFENCE (SHRI A.K. ANTONY)

(a) to (d): A Statement is attached.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (d) OF LOK SABHA UNSTARRED QUESTION NO. 3816 FOR ANSWER ON 21.4.2008

On the basis of Ministry of Finance's instructions issued on 31st January, 1989 relating to Indian Agents of foreign suppliers for all the Ministries/Departments under the Government of India supplementary instructions were issued by the Ministry of Defence in April, 1989 and in November, 2001 to regulate authorized Indian representatives/agents of foreign suppliers. The instructions provide for the regulation of representational arrangements through a system of registration, categorical and open declaration by the foreign suppliers of the services to be rendered by their authorized representatives/agents and the remuneration payable to them by way of fees, commission or any other method. So far no authorized Indian representatives/agent has been registered by the Ministry of Defence in terms of these instructions.

Defence Procurement Procedure (DPP) 2006 and Defence Procurement Manual (DPM 2006) under implementation with effect from 1st September 2006, provide for direct dealing with Original Equipment Manufacturers (OEMs) or Authorised Vendors or Government sponsored Export Agencies (applicable in case of countries where domestic laws do not permit direct export by OEMs). Further, the procedures inter-alia incorporate provisions for penalties being imposed if any seller engages any individual or firm, whether Indian or foreign whatsoever, to intercede, facilitate or in any way recommend to the Government of India or any of its functionaries, whether officially or unofficially, to the award of the contract to the Seller.